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Bermuda

Retail Food Sector

Report

2004

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Report Highlights:

With a GDP per capita of \$35,200, Bermuda enjoys one of the highest living standards in the world. Bermudans are under heavy fire from American media advertising, and, as a result, are oriented to American name-brand food products. The United States is Bermuda's leading trading partner exporting nearly \$56 million in food and beverage products. This report will help U.S. exporters assess the existing and challenging opportunities in the island's retail food sector.

Includes PSD Changes: No
Includes Trade Matrix: No
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Section I. Market Summary

Country Snapshot

Bermuda is an overseas territory of the United Kingdom with internal self-government. It is located about 600 miles off the coast of Cape Hatteras, North Carolina. With approximately 21 square miles in size and a population of 65,000 (2003 est.), Bermuda has one of the highest population densities in the world. The island is divided into nine parishes: Devonshire, Hamilton, Paget, Pembroke, Saint George's, Sandys, Smiths, Southampton, and Warwick. Pembroke, which includes the nation's capital, Hamilton City, has the most inhabitants of any parish (nearly 11,500) and Paget the least (under 5,000). The rest of the population is evenly distributed throughout the other parishes.

With a per capita GDP of \$35,200 (2002 est.), Bermuda has one of the wealthiest populations in the western hemisphere. Unemployment is virtually nonexistent, making minimum wages and cost of living high. Bermuda's economy is based primarily on international business and tourism. One reason for the high GDP is that Bermuda has successfully exploited the international financial services sector. International business constitutes over 60 percent of Bermuda's economic output. Both offshore banking and insurance companies are offered attractive business incentives. The world headquarters of many high profile companies are located on the island.

The tourism industry traditionally contributed the most to the local economy, although international business has grown extensively and has become the number one activity on the island. Tourism is still very important to the island's economy due to the fact that it employs the largest number of Bermudans. The industry accounts for an estimated 28 percent of GDP and attracts 77 percent of its business from the United States. Bermuda has luxury tourist facilities that accommodate almost half a million visitors annually.

Agriculture is almost nonexistent given that only six percent of the island's land is arable and the high population density. Local agricultural production is limited to bananas, grapefruit, citrus, other fruit and vegetables, flowers, honey, eggs and dairy products. Fishermen harvest lobster (available only from September-March due to fishing restrictions), Bermuda's rockfish, red snapper, shark and mussels. There are also some commercial flower growers who supply a variety of long stemmed cut flowers for the local market.

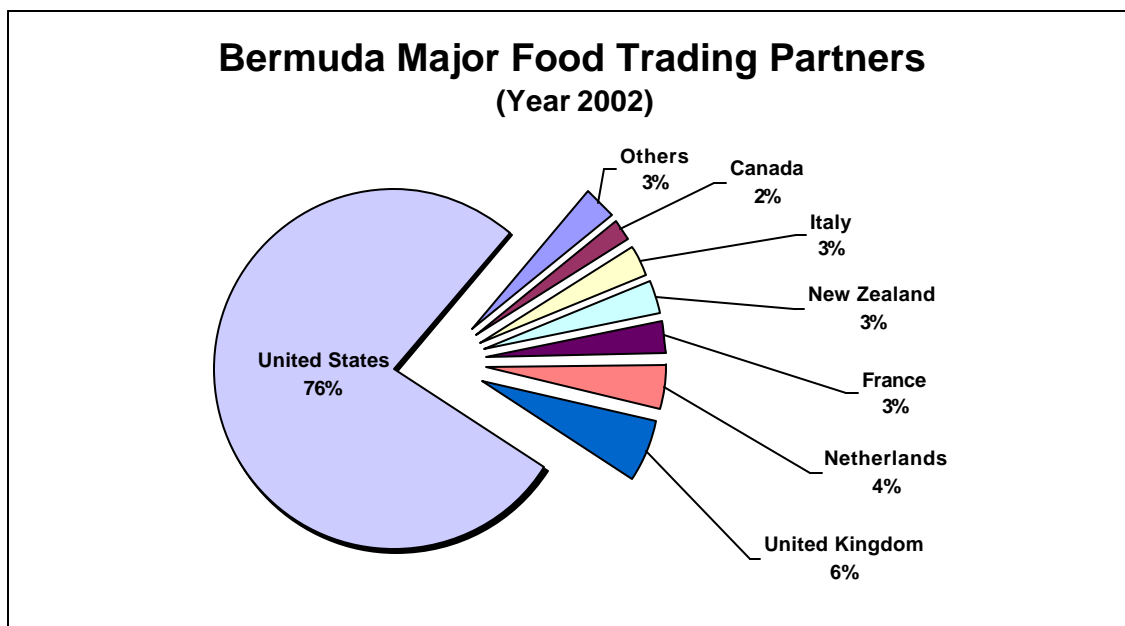
When certain locally grown food products are in season, temporary embargoes are placed by the Government Marketing Center on the importation of competing products to protect local farmers. Embargoes can be imposed and lifted several times throughout the year. In 2002, Bermuda enacted 153 embargoes on 81 items including: broccoli, cabbage, cucumbers, cauliflower, lettuce, tomatoes, potatoes, eggplant, and spinach.

In mid 2003, Bermuda formally joined the Caribbean Community (CARICOM), as an Associate (non-voting) Member. Although this is supposed to encourage and facilitate trade between Bermuda and Caribbean nations, no air or sea cargo services exist between them. All imports to Bermuda from the Caribbean must transit the United States or Canada.

Market Summary

The United States maintains a dominant presence in the market as Bermuda's primary trading partner. The major drivers pushing the success of U.S. goods are the availability, abundance and quality of the products imported. Other major trading partners include the United Kingdom, Canada, Italy, France, the Netherlands, and New Zealand. In 2002, 76 percent of Bermuda's food and beverage imports were from the United States totaling \$56 million. Imports are shipped either out of Newark, New Jersey or Jacksonville, Florida. U.S.

food imports destined to the retail sector are estimated to be between 55-65 percent of total imports. The remaining 35-45 percent is channeled through the HRI food service sector.



Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

The nation's retail sector is composed of 22 supermarkets and grocery stores, and over 35 convenience stores including gas marts. They are all well spread out across the island. Every parish and municipality has at least one retail outlet. The average supermarket size is between 20,000 and 30,000 square feet. Grocery stores usually support villages and towns. However, a large supermarket is but a short distance away for everyone. Only locally owned stores are allowed in Bermuda and this explains why no international supermarket chains have entered the market.

Bermudian's high GDP per capita is reflected in their purchasing of very high-end, premium quality, and name brand products. Locals are very brand loyal and thus, difficult to sway. Major U.S. brands present in the market include: Del Monte, Nestle, Heinz, Kraft, Kellogg's, and many others. Another unique market characteristic is the noticeable lack of shelf space, making competition for the little space available quite fierce. As a result, only the products with the most demand are awarded prime shelf space. For many stores, if a new product is brought in, another is bumped out.

The majority of Bermuda's retail stores do not have bulk purchasing power or other economies of scale. They are also faced with very high import duties imposed by the local government. This is reflected in the high prices of food and beverage products on the island. One bright spot is that, although retail prices could be as high as 350 percent of those in the United States, Bermuda has no sales tax.

Import duties are a major source of revenue for the Government of Bermuda. Tariffs on food products can reach up to 33.5 percent. The following list contains some agricultural items and their respective duty rates:

- **Beef, poultry and pork:** 5 percent
- **Fish:** 5 percent
- **All other seafood products:** 10 percent
- **Dairy:** 5 percent
- **Ornamental plants:** 33.5 percent
- **Fruits and vegetables:** 5 percent
- **Sugars and sugar confectionary:** 22.25 percent
- **Prepared foodstuff:** between 5 and 22.25 percent
- **Dog or cat food:** 22.25 percent
- **Fruit juices:** 10 percent
- **Coffee, tea and spices:** 5 percent
- **Wine:** \$2.63 per bottle
- **Spirits:** \$24.15 per liter
- **Mineral waters:** between 15 and 35 percent

Market Trends

Television stations in Bermuda pick up over sixty American channels via satellite, which are seen in virtually every residence and hotel room. The market is flooded with advertising for U.S. products, which brings American food trends to the island.

Some of the current market trends in Bermuda's retail market are:

- Organic and "healthy" foods
- Prepared foods and ready-to-eat/ready-to-cook meals
- Specialty items produced by specific brand names
- Retail island-wide delivery of foods
- Food sales through Internet
- Private labels

Organic and "healthy" foods that are popular in the United States are rapidly catching on in Bermuda. The faster-paced Bermudan lifestyle is attracting prepared foods and ready-to-eat/ready-to-cook meals into the market. These are selling well during lunchtime and for home diners in the populated areas of the island. Bermudan tastes have gradually matured over the years, moving from canned foods to high-end specialty items and brand name products. More and more women are working allowing them less time and energy to prepare a meal from scratch. Bermudans can afford to pay higher prices for convenience and this is why retail stores are now offering delivery services island-wide. In addition, a new Internet retail sales portal called BermudaGrocer.com, offers locals the convenience of ordering their food supplies online. Sales of private label, thought impossible by the trade, are increasing.

Advantages	Challenges
The United States is the leading supplier of food and beverage products into Bermuda, accounting for 76 percent of all imports.	Limited space in supermarkets only allows shelf space for high demand products.
Distribution systems in addition to tariff and duty regulations compliment those in the U.S., making exporting relatively easy.	Lesser-known or new products will find it difficult to compete with established, well-known brands.
U.S. media is available virtually in every Bermudan home and hotel room, which gives a broad exposure to U.S. food brands.	Bermuda prohibits the importation of citrus fruit from Florida because of citrus canker.
There is no food labeling legislation or food additive regulations in Bermuda.	Limited and costly storage space restricts retailers from purchasing direct.
Only six percent of Bermuda's land is arable, limiting local agricultural production and allowing for imports of all commodities.	Tariffs on selected items can reach up to 33.5 percent as a result of the government protecting local businesses.
The United States is the island's closest trading partner, which allows for lower shipping times compared to other competitors.	Selling directly to the retail sector is difficult because of the established distribution network.

Section II. Road Map for Market Entry

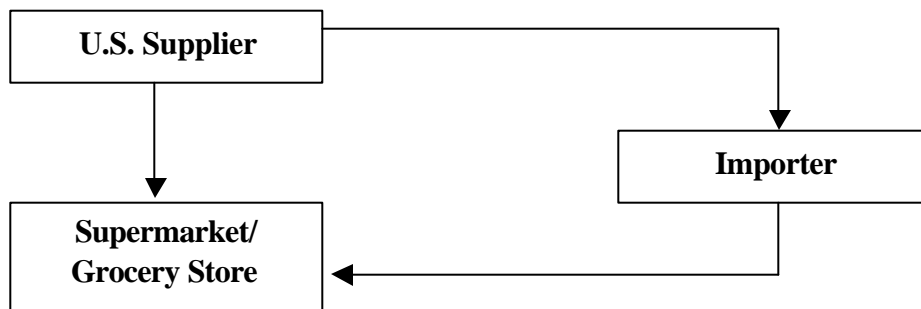
A. SUPERMARKETS & GROCERY STORES

Entry Strategy

Local importers/wholesalers are the gatekeepers of 70 percent of the food retail sales. The other 30 percent are direct imports from the island's largest food retailers. Penetrating the market is a difficult endeavor in Bermuda because of the high degree of brand loyalty. The best way for a U.S. manufacturer to enter the market with success is to first search the market for potential niches, develop an excellent marketing plan and then begin exporting via a local distributor. Researching the market structure and competition is key in assessing current market conditions and making sound decisions. If possible, travel to Bermuda to get a first-hand experience of the market. Sample the public's opinion and offer quality goods at a reasonable price. Finally, provide the product with a great deal of marketing support and television airtime.

Market Structure

Large supermarkets purchase their goods from local wholesalers because they offer convenience and reliability of the items being supplied. However, some supermarkets have significant purchasing power and import directly from U.S. manufacturers. For example, The Market Place and Lindo's Market import from the United States on a regular basis. In addition, all supermarkets and grocery stores will order mixed container loads to their New Jersey "jobbers" if they can offer better prices than the local wholesalers. It is important to emphasize that although direct imports do take place, it is not the norm in the nation's retail sector. Bermuda has a well-established distribution network that channels most food imports through local importer/distributors.

Product Flow for Imported Products:**Company Profiles**

Retail Name and Type	Ownership	No. of Outlets	Location or Parish	Purchasing Agent
The Market Place, Supermarket	Local	8	Hamilton, Smith's, Pembroke(2), Paget (2), Sandys, Southampton	Local and Direct Importer
Miles Market, Supermarket	Local	1	Pembroke	Local and Direct Importer
Lindo's Market, Supermarket	Local	1	Devonshire	Local and Direct Importer
Lindo's Family Foods, Supermarket	Local	1	Warwick	Local and Direct Importer
The Supermart Ltd., Supermarket	Local	1	Pembroke	Local and Direct Importer
White & Sons Ltd., Supermarket	Local	1	Warwick	Local and Direct Importer
Hayward's Supermarket, Supermarket	Local	1	Warwick	Local and Direct Importer
Garden Market Supermarket	Local	2	Pembroke, Devonshire	Local and Direct Importer
Somers, Grocery Store	Local	1	St. George's	Local and Direct Importer
Harrington Hundreds, Grocery Store	Local	1	Smith's	Local and Direct Importer
Arnold's Markets, Grocery Store	Local	3	Sandys, Pembroke, Somerset	Local and Direct Importer
Manuel Soars & Sons, Grocery Store	Local	1	Pembroke	Local and Direct Importer

The above list constitutes Bermuda's major supermarkets and some well-known grocery stores. Bermudan supermarkets look very similar if not identical to U.S. markets. They have large, full service premises with an extensive range of meats, seafood, fruits and vegetables, and other products. The Market Place, the largest supermarket chain with 8 branches island-wide, carries both Shop Rite (USA) and President's Choice (Canada) private labels. Miles Market is the island's most upscale supermarket with a large selection of hard-to-get specialty food items. Both Lindo's Market and Lindo's Family Foods are medium-sized

stores that carry a good selection of quality and gourmet foods. In addition to the typical goods, the Supermart store also has an in store bakery and ready-to-eat foods including a well-stocked salad bar and prepackaged sandwiches.

Grocery stores tend to carry only the most demanded brand name products and often try to carry specialty items that are not found in supermarkets. To differentiate themselves from their larger competitors with limited space, groceries have to be very strategic with regards to what products to carry. Harrington Hundreds, for example, has the island's best selection of trendy "healthy" foods. It is also considered one of the more upscale food outlets on the island. At least one grocery store is located in each rural area throughout the island. Grocery stores account for roughly 15-20 percent of Bermuda's retail food sales.

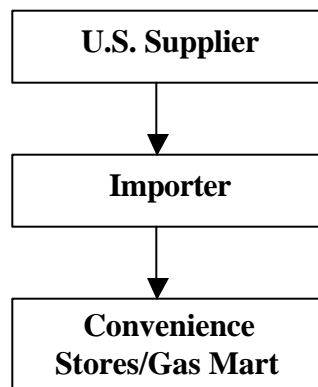
B. CONVENIENCE STORES & GAS MARTS

Entry Strategy

Convenience stores and gas marts both purchase 90-95 percent of their goods from local wholesalers. It is very unlikely that they will be capable of importing their food products directly. The best method of targeting this market is via a local wholesaler.

Market Structure

Product Flow for Imported Products:



Company Profiles

Retail Name & Type	Ownership	No. of Outlets	Location or Parish	Purchasing Agent
Caribbean Food Mart Convenience Store	Local	1	Hamilton	Local Importer
Dismont Robinson Convenience Store	Local	1	Hamilton	Local Importer
Happy Valley Mini Mart Convenience store	Local	1	Pembroke	Local Importer
C-Mart Convenience Store	Local	1	Pembroke	Local Importer
Tony's Fine Foods Convenience Store	Local	1	Hamilton	Local Importer
Esso, Tiger Mart Gas Mart	Local (Franchise)	14	Every Parish	Local Importer
Shell Gas Mart	Local (Franchise)	15	Every Parish	Local Importer

Convenience stores are not abundant in Bermuda. They are strategically located in high traffic areas or near tourist attractions. They carry a small selection of foodstuffs, which are normally higher priced.

Gas marts are well spread out around the island. Located mostly on main roads and urban areas, they choose their location where traffic is the heaviest. This location in turn provides them with access to a large number of drivers, public visibility and presence in the community. Traffic is increasing and more families have two breadwinners. While on the road, more and more Bermudans are finding that stopping for gas and purchasing something to eat or drink is the best and easiest way to satisfy their needs. In addition, gas marts are usually open later than supermarkets; some of them are open 24 hours.

C. TRADITIONAL MARKETS

Traditional markets obtain their food supplies from local farmers. Fruit and vegetable stalls dot Bermuda's roadsides year-round but the island's official Farmer's Market only runs during the primary growing season – from December through June. Locally produced fruits and vegetables, honey, eggs, preserves, and fish are some of the foods commonly found.

Section III. Competition

With 76 percent market share, the United States clearly dominates Bermuda's retail market for food and beverage products. The only reason a U.S. exporter may find it difficult to sell a product in Bermuda is if an established competing American product is already in the market. For the most part, all the major brands are already present in the market.

The following products and countries compete with U.S. products:

- **Beef:** New Zealand, Canada, United Kingdom, Netherlands, and Germany.
- **Poultry:** United Kingdom and Canada.
- **Pork:** Canada, Germany, United Kingdom, Italy, France, Ukraine, and Ireland.
- **Fresh Produce:** United Kingdom, Italy, and Canada.
- **Seafood:** United Kingdom, Canada, Netherlands, China, Denmark, France, Ireland, and Thailand.
- **Dry Goods:** Canada, Germany, United Kingdom, Netherlands, Switzerland, Belgium, and Italy.
- **Dairy Products:** New Zealand, Brazil, Canada, Switzerland, France, United Kingdom, Jamaica, Panama, Denmark, and Italy.
- **Alcoholic Beverages:** Australia, United Kingdom, Netherlands, Chile, Germany, Spain, France, Italy, Barbados, Bahrain, South Africa, Trinidad & Tobago, Sweden, and Mauritania.
- **Non-Alcoholic Beverages:** Canada, United Kingdom, France, Belgium, Italy, Denmark, and Germany.
- **Specialty Foods:** Canada, Switzerland, France, United Kingdom, Ireland, Brazil, Jamaica, Kenya, and Italy.
- **Bakery Ingredients:** Canada, United Kingdom, and Jamaica.

Top 10 U.S. Food Products in Bermuda Import Market for 2002			
U.S. High Value Food Product	Market Share	U.S. High Value Food Product	Market Share
Fresh Fruit	99%	Breakfast Cereals & Pancake Mixes	97%
Pet Foods	98%	Red Meats (Prepared/Preserved)	97%
Fruit & Vegetable Juices	98%	Red Meats (Fresh/Chilled/Frozen)	93%
Eggs & Products	98%	Mixed Container Loads	92%
Fresh Vegetables	97%	Fishery Products	91%

Source: UN Trade Data

Section IV. Best Prospects

A. Products Present in the Market Which Have Good Sales Potential

Bermuda is a very high-end market in search of quality products. Market opportunities exist for a wide array of retail products, including:

- Ready-to-eat and ready-to cook products
- High-end specialty items and gourmet products
- Meat products
- Premium jams, jellies and honey

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

Bermuda has a well-stocked retail market for food and beverage products. The island's rapid development has permitted an inflow of a vast array of different products. The following products are present in small volumes in the local market but good opportunities still exist for further penetration. They include:

- Organic and "healthy" foods
- Ethnic foods

C. Products Not Present Because They Face Significant Barriers

Products that are not allowed into Bermuda include:

- Citrus fruit from Florida
- Carrots
- Potatoes and sweet potatoes
- Corn

Others that are heavily restricted by high tariffs include:

- Spirits

Section V. Contact Information

A. For more information on Bermuda and a list of importers for your U.S. product, please contact:

Caribbean Basin Agricultural Trade Office
Foreign Agricultural Service
United States Department of Agriculture

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Please visit our website for more reports and information on Bermuda and other Caribbean Islands: <http://www.cbato.fas.usda.gov>, click on "U.S. Exporters"

B. Other Sources of Information on Bermuda:

Department of Environmental Protection

Claire Jessey, Plant Protection Officer
P.O. Box HM-834
Hamilton HM-CX Bermuda
Tel: 441-236-4201
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Department of Health

Estlyn D. Harvey, Chief Environmental Health Officer
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